

## Message Text

LIMITED OFFICIAL USE

PAGE 01 PEKING 00342 030712Z

21

ACTION EA-10

INFO OCT-01 ISO-00 NSCE-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

DODE-00 PM-03 H-01 INR-07 L-02 NSAE-00 PA-01 PRS-01

USIA-06 COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01

FEA-01 INT-05 OES-03 AGR-05 /097 W

----- 121446

R 030620Z MAR 75

FM USLO PEKING

TO SECSTATE WASHDC 3299

INFO AMCONSUL HONG KONG

LIMITED OFFICIAL USE PEKING 0342

E.O. 11652: N/A

TAGS: ETRD CH US BTRA

SUBJECT: SINO-U.S. TRADE - VISITORS TO CHINA IN FEBRUARY

REF: PEKING 0170

SUMMARY OF RECENT DEVELOPMENTS: REFLECTING GENERALLY SLACK CONDITIONS - FOREIGN EXCHANGE PROBLEMS WHICH HAVE INHIBITED CHINESE BUYING AND THE CURRENT DEPRESSED MARKET ABROAD FOR CHINESE EXPORTS -- NOT MANY AMERICAN BUSINESS VISITORS WERE HERE IN FEBRUARY. MOST IMPORTANT ON THE U.S. SALES SIDE WERE NEGOTIATIONS BY UNIVERSAL OIL PRODUCTS ON THE POSSIBLE CHINESE PURCHASE OF TWO PETROCHEMICAL PLANTS. ALSO, BURROUGHS CORPORATION REPRESENTATIVES WERE IN PEKING NEGOTIATING THE SALE OF A LARGE COMPUTER, BUT THE PROBLEMS OF AN EXPORT LICENSE MAY BE DIFFICULT IN THIS CASE (PEKING 0303 AND PREVIOUS). ON THE U.S. BUYING SIDE, SOME AMERICANS WERE EXPECTED TO ATTEND A MINI-FAIR OF THE CHINESE NATIVE PRODUCE CORPORATION IN CANTON (PEKING 0317) AND OTHER U.S. FIRMS ARE NOW ATTENDING THE TIENTSIN CARPET FAIR (SEPTEL FOLLOWS)

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PEKING 00342 030712Z

THOUGH IN NEITHER CASE DOES IT APPEAR THAT THE AMOUNT OF

BUSINESS WILL BE LARGE. TWO GROUPS IN PEKING WERE SEPARATELY FOLLOWING UP THEIR INTEREST IN EXPANDING U.S. PURCHASES OF CHINESE BEER. ALSO, IN A SIGNIFICANT DEVELOPMENT FAVORABLY AFFECTING CHINESE EXPORT OF FROZEN SHRIMP TO THE U.S., AN AMERICAN GROUP IN CANTON EARLY IN THE MONTH SUCCESSFULLY NEGOTIATED A DIFFICULT PROBLEM RESULTING FROM THE FAILURE OF CHINESE SHIPMENTS LAST YEAR TO MEED FDA STANDARDS (HONG KONG 1392). END SUMMARY.

1. UNIVERSAL OIL PRODUCTS (UOP). NEGOTIATIONS BETWEEN UOP REPRESENTATIVES AND THE CHINA NATIONAL TECHICAL IMPORT CORPORATION (TECHIMPORT) ON TWO POSSIBLE WHOLE PLANT PROJECTS MADE STEADY PROGRESS THROUGH THE THIRD WEEK IN FEBRUARY WHEN THE FOUR-MAN UOP GROUP RETURNED TO THE U.S. TO PREPARE FOR ANOTHER ROUND OF TALKS IN MARCH. WHILE IN PEKING, THE FOUR MEN WERE DIVIDED INTO TWO TEAMS FOR PARALLEL TALKS ON A DETERGENT PLANT AND AN ISOMAR PAREX (IP) PLANT FOR THE PRODUCTION OF PARAZYLENE. IF BOTH NEGOTIATIONS SUCCEED, IT COULD MEAN U.S. SALES OF DOLS 15 MILLION TO CHINA, MOSTLY IN TECHNOLOGY FEES.

2. IN THESE NEGOTIATIONS, TECHIMPORT AND UOP ARE PURSUING EXPERIMENTAL APPROACHES NOT UNDERTAKEN BY THE PRC BEFORE. FOR THE DETERGENT PLANT, UOP WOULD DESIGN THE PLANT AND PROVIDE ENGINEERING SERVICES AND WOULD BE RESPONSIBLE FOR START UP AND TESTING, BUT WOULD NOT BUILD THE PLANT. CONSTRUCTION WOULD BE PERFORMED BY AN OUTSIDE CONTRACTOR WHO WOULD BE SELECTED BY TECHIMPORT ONLY AFTER NEGOTIATIONS WITH UOP ARE CONCLUDED. THIS PROCEDURE CASTS UOP IN A ROLE APPROXIMATING THAT OF CONSULTING ENGINEER AND REVERSES TECHIMPORT'S USUAL PRACTICE OF NEGOTIATING WITH ONE OVERALL CONTRACTOR WHO WOULD HANDLE BOTH CONSTRUCTION AND SUB-CONTRACTING FOR TECHNOLOGY.

3. THE IP FACILITY WOULD BE PART OF A LARGER POLYESTER COMPLEX WHICH MAY ALSO INVOLVE STANDARD OIL OF INDIANA TECHNOLOGY FURTHER DOWNSTREAM (SEE PEKING 1850 OF 1974). IN THIS CASE, THE CHINESE WOULD BUILD MOST OF THE MAJOR VESSELS FOR THE PLANT THEMSELVES, WHILE UOP WOULD PROVIDE SUPPLEMENTAL MATERIAL SUPPORT AS WELL AS DESIGNING THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PEKING 00342 030712Z

PLANT, SUPERVISING CONSTRUCTION, AND UNDERTAKING STARTUP AND TESTING. THIS EXPERIMENTAL APPROACH WOULD SAVE THE PRC CONSIDERABLE FOREIGN EXCHANGE SINCE THE CHINESE WOULD BE ABLE TO BUILD MOST OF THE EQUIPMENT AND MACHINERY THEMSELVES, USING UOP BLUEPRINTS AND DESIGNS.

4. UOP IS OPTIMISTIC THAT BOTH THE DETERGENT AND IP NEGOTIATIONS WILL SUCCEED; THIS IS ALSO INDICATED BY

TECHIMPORT'S UNUSUAL INSISTANCE ON RECEIVING A WRITTEN PROMISE FROM BOTH UOP TEAMS THAT THEY WOULD RETURN TO PEKING FOR FURTHER TALKS NO LATER THAN MARCH 17. IF THE IP TALKS ARE SUCCESSFUL, TECHIMPORT HAS TOLD UOP IT WOULD LIKE TO START A THIRD ROUND OF NEGOTIATIONS ON A LARGER IP FACILITY FOR WHICH UOP WOULD PROVIDE TECHNOLOGY AND ENGINEERING SERVICES BUT CONSTRUCTION WOULD BE DONE BY KRUPP OF GERMANY.

5. IDC MARKETING INC. PAUL SPELTZ AND DONALD ALTMAN, PRESIDENT AND VICE PRESIDENT OF THIS NEW YORK FIRM, ARE IN PEKING IN CONNECTION WITH A NUMBER OF THEIR CHINA TRADE INTERESTS. ONE RELATES TO THE POSSIBLE EXPANSION OF IMPORTS OF TSINGTAO BEER INTO THE U.S., WHICH IDC HAS THUS FAR DONE ONLY ON A SMALL SCALE. SPELTZ AND ALTMAN WERE ACCOMPANIED BY PETER STROH, PRESIDENT OF STROH BREWERY CO. (DETROIT), WHO IS PROVIDING IDC WITH TECHNICAL ADVICE, AND LEO BENATAR, PRESIDENT OF MEAD PACKAGING (ATLANTA). THE GROUP VISITED TSINGTAO TO SEE THE BREWERY (THEY WERE IMPRESSED) AND HAD DISCUSSIONS IN PEKING WITH THE CHINA NATIONAL CEREALS, OILS AND FOODSTUFFS IMPORT AND EXPORT CORPORATION (CEROILFOOD), BUT THE SCHEME IS STILL IN A PRELIMINARY STAGE. SPELTZ AND ALTMAN WILL ALSO ATTEND THE TIENTSIN CARPET FAIR, AND THEN RETURN TO PEKING TO PURSUE, ON BEHALF OF VARIOUS CLIENTS, POSSIBLE PLANT AND MACHINERY SALES TO CHINA.

6. LATINASIA LIMITED. EUGENIO GILI, A CHILEAN EMPLOYEE OF THIS HONG KONG-BASED IMPORT EXPORT FIRM, VISITED PEKING IN MID-FEBRUARY ON BEHALF OF FRANKLIN INTERNATIONAL, A CALIFORNIA COMPANY RELATED TO LATINASIA. GILI NEGOTIATED A PURCHASE OF PEKING-BREWED YUCHUAN BEER ON FRANKLIN INTERNATIONAL'S BEHALF AT THE 1974 FALL CANTON FAIR. AFTER THE CONTRACT WAS SIGNED, CEROILFOOD LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 PEKING 00342 030712Z

BALKED WHEN GILI INFORMED CEROILFOOD THAT IT WOULD HAVE TO FILE BEER VENDOR'S REGISTRATION FORMS WITH THE STATE OF CALIFORNIA IN ORDER FOR FRANKLIN INTERNATIONAL TO RECEIVE A PERMIT TO LAND THE BEER IN SAN FRANCISCO (PEKING A-3). THE MATTER WAS RESOLVED IN JANUARY WHEN LATINASIA ARRANGED TO FILE THE FORMS ON CEROILFOOD'S BEHALF. SHIPMENT IS GOING FORWARD, AND IF TEST MARKETING IS SUCCESSFUL FRANKLIN INTERNATIONAL HOPES TO BECOME A REGULAR IMPORTER OF YUCHUAN BEER.

7. HUNTING WORLD INCORPORATED. ROBERT LEE, PRESIDENT OF THIS NEW YORK FIRM, AND AN ASSOCIATE VISITED PEKING AT THE INVITATION OF THE CHINA NATIONAL TEXTILE IMPORT AND EXPORT CORPORATION. THE FIRM SELLS HIGH FASHION SPORTSWEAR AND BEGAN IMPORTING SAFARI JACKETS FROM CHINA LAST YEAR.

ALTHOUGH THIS WAS HIS FIRST TRIP TO CHINA, LEE SAID HE HAD ALREADY RECEIVED VERBAL INVITATIONS TO ATTEND BOTH OF THE 1975 CANTON TRADE FAIRS. ON THIS TRIP, LEE WAS PRIMARILY INTERESTED IN PURCHASING KNITWEAR, BUT ALSO PLANNED TO INVESTIGATE THE POSSIBILITY OF IMPORTING BAMBOO PRODUCTS, CARPETS, JEWELRY AND TOYS. HUNTING WORLD WAS ONE OF THE NEW YORK FIRMS VISITED BY THE PRC TEXTILE DELEGATION WHICH IS STILL IN THE U.S.

8. BURMA IMPORTS LTD. STANLEY FLOREA, A BUYER FOR THIS NEW YORK FIRM, VISITED PEKING AND SHANGHAI EARLY IN THE MONTH IN REGARD TO POSSIBLE PURCHASES OF GLOVES, CASHMERE SWEATERS AND SCARFS. THIS WAS HIS FIRST VISIT TO CHINA.

9. INFORMATION PROVIDED ABOVE, PARTICULARLY IN PARAS 1-4 IS COMMERCIALLY SENSITIVE AND SHOULD BE PROTECTED BY ADDRESSEES.  
BUSH

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SALES, TRADE VISITS, NEGOTIATIONS, INFORMATION CONTROL  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975PEKING00342  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750073-0552  
**From:** PEKING  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750388/aaaadbue.tel  
**Line Count:** 188  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 PEKING 0170  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 JUL 2003 by MartinML>; APPROVED <10 JUL 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SINO-U.S. TRADE - VISITORS TO CHINA IN FEBRUARY  
**TAGS:** ETRD, BTRA, EEWT, CH, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006